

## PRESIDENT'S MANAGEMENT AGENDA

FY 2003 provided Treasury with significant management challenges and opportunities. The divestiture of Treasury's law enforcement bureaus presented Treasury with the opportunity to restructure and refocus its strategic goals and objectives through the five initiatives of the President's Management Agenda (PMA). Treasury developed and issued its new Strategic Plan, which will guide Treasury's efforts through FY 2008. Each of the five PMA initiatives links intricately to the new Strategic Plan. This new strategic vision, coupled with the efforts underway in the PMA, provides the mechanism and focus for continuous improvement throughout Treasury and its bureaus. Below is a summary of Treasury's accomplishments as well as planned activities for FY 2004.

**PMA Progress Evaluation**

Initiative	Status		Progress FY 2003				Progress FY 2004
	12/31/2002	12/31/2003	Q1	Q2	Q3	Q4	Q1
Strategic Management of Human Capital	R	R	G	G	G	Y	G
Competitive Sourcing	R	R	G	G	G	Y	G
Improved Financial Performance	R	R	G	G	Y	Y	Y
Expanded E-Government	R	R	Y	Y	G	Y	Y
Budget & Performance Integration	R	R	G	Y	Y	Y	G

▪ **Green** for success ▪ **Yellow** for mixed results ▪ **Red** for unsatisfactory

<i>FY 2003 Accomplishments</i>	<i>FY 2004 and FY 2005 Proposed Actions</i>
<b><i>Strategic Management of Human Capital (HC)</i></b>	
Treasury made significant progress in the management of its human capital, especially in light of the divestiture of thirty percent of human resources staff to the Department of Homeland Security (DHS). To assure effective coordination and consistency of HC management among bureaus, Treasury appointed two top-level HC management officials to lead Treasury's HC Initiative. The Chief Human Capital Officer (CHCO) and the Deputy Assistant Secretary for Workforce Management lead Treasury's efforts under the HC initiative of the PMA.	
Treasury's HC Action Plan addresses the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) Standards for Success, and Treasury incorporated the HC Action Plan into its strategic planning and budgeting formulation and execution processes.	Headquarters will play more of a leadership role in building human capital best practices for bureaus to employ. The offices of the CHCO and the DAS – Workforce Management are leading Dept-wide efforts on a Human Capital Strategic Plan, workforce and succession planning, a diversity strategy, a new SES performance management system, and an accountability system, to name a few.

<b><i>FY 2003 Accomplishments</i></b>	<b><i>FY 2004 and FY 2005 Proposed Actions</i></b>
<p>Treasury Headquarters and the majority of its bureaus began modernization efforts designed to separate and streamline operations consistent with the PMA. The use of buyout and early out authority granted by OPM was and is a significant part of this process. In addition, Treasury Headquarters developed a workforce planning guide to assist the bureaus with their workforce modernization efforts.</p> <p>Treasury Headquarters developed workforce and succession planning guidance to ultimately assist bureaus with maintaining stability, closing talent gaps and developing leaders within the Department's executive cadre.</p> <p>Although challenged by the transfer of nearly 40,000 employees to the new DHS and by the loss of top headquarters leadership, Treasury made strides overall in its Human Capital Initiative. In particular, Treasury:</p> <ul style="list-style-type: none"> <li>• Developed online Knowledge Transfer Inventory (KTI) to help maintain institutional knowledge as employees depart.</li> <li>• Initiated enterprise-wide, automated human resource systems covering nine bureaus and 96,000 employees; and</li> <li>• Developed an online workforce analytic tool for use by all Treasury managers.</li> </ul>	<p>A senior-level Treasury-wide core team is drafting a new Treasury Human Capital Strategic Plan. The final plan will be issued in June 2004 and will guide Treasury's Human Capital efforts across the Department.</p> <p>Treasury plans to continue implementing succession planning for key leadership positions at Headquarters. The Office of the CHCO is leading a cross-functional working group to develop a leadership development and succession planning model that will build a leadership talent pool.</p> <p>Treasury drafted and will implement a corporate diversity strategy that guides the Department's efforts to improve the representation of women and minorities. The strategy concentrates on four primary areas: recruitment, hiring, retention, and accountability. The outcomes are explicitly designed to link to the Department's mission.</p> <p>Treasury implemented changes to SES pay effective January 11, 2004, and plans to develop a new, agency-wide SES performance management system. Over the next several months, a cross-agency team will develop the new system and an implementation plan. Our goal is to gain OPM certification of our new performance management system by the beginning of the next performance cycle.</p> <p>Treasury will develop and implement a Department-wide System of Accountability by October 1, 2004 that will "ensure human capital decisions reflect a system of accountability that is results-driven and data-oriented."</p>
<b><i>Competitive Sourcing (CS)</i></b>	
<p>Treasury was a government leader in establishing CS through its online Fair Act tracking database, assistance in the redesign of OMB Circular A-76, and sponsorship of government-wide conferences to ensure a consistent message.</p> <p>Treasury's CS team also has been a leader in implementing this initiative. Treasury's CS team is in the process of developing and implementing a long-range competition plan that will enable Treasury to act strategically and tailor applications to its mission and workforce needs</p> <p>The plan will have a management component (addressing budget/IT/management concerns), an operations component (actions associated with the conduct of the studies) and a policy component (Treasury-wide initiatives that build on the success of the three-day close).</p> <p>Treasury also:</p> <ul style="list-style-type: none"> <li>• Completed three full A-76 studies, its first-ever;</li> <li>• Completed streamlined competitions in most of our bureaus;</li> </ul>	<p>Treasury began the process of developing a CS component to each area of the PMA (i.e. using competitive sourcing to implement an E-Gov initiative) and expects to have a competitive sourcing action underway for each area by the end of 2004.</p> <p>Treasury will develop/implement a long-range plan to ensure that its competitive sourcing program is a carefully and regularly considered option for improving the cost-effectiveness and quality of its commercial operations.</p> <p>By the end of 2005, Treasury expects to have completed 2 Full A-76 studies in the Bureau of Engraving and Printing (Inkmakers/DC and Inkmakers Fort Worth) and an additional five full A-76 studies at IRS (Distribution Centers, Building Delegation, Campus Operations, Files, and Warehouse and Transportation</p>

<b><i>FY 2003 Accomplishments</i></b>	<b><i>FY 2004 and FY 2005 Proposed Actions</i></b>
<ul style="list-style-type: none"> <li>• Seamlessly integrated the revised A-76 circular requirements; and</li> <li>• Increased coordination among all elements of the PMA.</li> </ul>	
<b><i>Improved Financial Performance</i></b>	
<p>Treasury maintained its government-wide lead in accelerated financial reporting by improving its three-day monthly close and successfully issuing its FY 2003 Performance and Accountability Report on November 14, 2003, two and one-half months ahead of the official deadline. The Department's consolidated financial statements included in Treasury's FY 2003 Performance and Accountability Report received an unqualified opinion. Further, the Treasury provided numerous presentations to other federal agencies to assist them in achieving an accelerated annual closing by November 15, 2004, as required by the Administration.</p> <p>Treasury achieved its financial performance goals associated with the PMA, and continues to provide this data online in a timely manner. Treasury made progress in integrating its financial systems and anticipates making significant progress during 2004 in integrating budget and performance reporting. However, Treasury will not achieve complete compliance with federal financial systems requirements until IRS completes its financial systems modernization efforts.</p> <p>IRS recently developed revised plans to reduce erroneous payments in the Earned Income Tax Credit program to address congressional concerns. Treasury anticipates improved progress in FY 2004 and future years. All other Treasury bureaus have a good track record in the erroneous payments area. Treasury finalized its guidance for implementation of the Improper Payments Improvement Act after piloting the proposed program with several bureaus, including the IRS.</p> <p>Treasury continues to make significant progress in reducing its material management control weaknesses. Treasury completed FY 2003 with nine material weaknesses compared to 20 at the beginning of the year.</p>	<p>Treasury remains committed to improving financial performance at the Department and throughout the Federal Government. A key priority is to ensure the routine consideration of financial and performance information during operational decision-making. Treasury will continue to fully support the PMA as it builds on its successes in FY 2004. Key 2004 goals for improving financial performance include:</p> <ul style="list-style-type: none"> <li>• Reducing the inventory of material weaknesses from nine to six</li> <li>• Achieving substantial compliance with FISMA and all related system security requirements</li> <li>• Receiving an unqualified (clean) opinion on the Department's consolidated financial statements for a fifth consecutive year, and meeting OMB's accelerated reporting deadline for a third consecutive year.</li> <li>• Ensuring adequate progress by the IRS in implementing new administrative and business systems, and thus being able to meet the target date of September 2005 for closing the related material weakness</li> <li>• Achieving Department-wide compliance with the Improper Payments Information Act</li> <li>• Further integrating financial and performance reporting and streamlining the Performance and Accountability Report</li> <li>• Reducing the number of bureaus not in substantial compliance with the Federal Financial Management Improvement Act</li> <li>• Providing appropriate oversight to ensure that the material weaknesses tied to: 1) the government-wide Consolidated Financial Statement (FMS); 2) Measuring Taxpayer Compliance (IRS); and 3) the aforementioned Modernization Management (IRS) can be closed by the end of FY 2005.</li> </ul>

<i><b>FY 2003 Accomplishments</b></i>	<i><b>FY 2004 and FY 2005 Proposed Actions</b></i>
<i><b>Expanded E-government</b></i>	
<p>In an effort to expand E-Government, Treasury placed an emphasis on the use of digital technologies to improve effectiveness, efficiency, and service delivery to both citizens and other public agencies, including initiatives such as the IRS' Free Filing and Expanded Electronic Products for Businesses. Treasury focused on high-priority modernization initiatives by continuing to integrate information technology (IT) strategic planning, enterprise architecture, IT capital planning, and security activities in the context of the overall planning and reporting activities of Treasury. The implementation of the new Treasury FY 2003-2008 Strategic Plan will ensure that the above areas are an integral part of our planning and reporting processes.</p> <p>Treasury established a governance structure to ensure that all its services and products are consistent with Treasury's strategic objectives. A new Technology Investment Review Board (TIRB) reviews and approves all Treasury IT investments and conducts monthly meetings to drive the Department's IT governance framework and compliance with OMB Circular A-11. Through the TIRB, Treasury will communicate and review procurement, project management and portfolio management requirements and hold bureaus accountable for performance that relates to project management objectives. It will institute a disciplined process for evaluating portfolio and project performance and controlling IT investments for major projects. It will ultimately improve the scores on the Department's OMB Exhibit 300s and institutionalize the long-term portfolio management activities of the Capital Planning and Investment Control Process (CPIC). As an indication of Treasury's forward movement, all business cases submitted to OMB this year as part of the FY 2005 budget process received passing scores from OMB.</p> <p>Through the CPIC, the Department will monitor projects to ensure they are within 10 percent of cost, schedule and performance objectives. For example, the IRS is in the midst of an aggressive remediation program for major systems investments to ensure all aspects of performance budget formulation. This resulted in greatly improved Exhibit 300 submissions that link major investments to a Strategic Plan, an Enterprise Architecture and performance measurements.</p> <p>During FY 2003, Treasury made some progress in the remediation of IT security weaknesses and conducted a Security Program review of all Treasury components.</p>	<p>Treasury will develop a plan to certify and accredit all operational systems lacking full accreditation. The plan will include the name of all systems without certification and accreditation, the start and completion date, and the resources needed to complete the certification and accreditation. Treasury expected quicker progress in achieving earlier certification and accreditation targets, but the IRS discovered more than 200 potential "systems" that required review. If they are indeed systems or major applications, they will need certification and accreditation.</p> <p>Furthermore, Treasury will work to strengthen its plan of action and milestones process in order to effectively identify, monitor, and complete corrective actions needed to resolve IT security weaknesses.</p> <p>Treasury continues to participate in all four categories of E-Gov projects. In addition, Treasury recently executed Interagency Agreements with the General Services Administration for the E-Authentication and Integrated Acquisition Environment and with Environmental Protection Agency for the e-Rulemaking initiative.</p> <p>Treasury will continue to pursue opportunities with expanded e-government. The following highlights some of our efforts:</p> <ul style="list-style-type: none"> <li>• Develop a draft target architecture;</li> <li>• Refine the FY 2006 Information Resources Management Strategic Plan that identifies the link between the PMA, Treasury's business goals, and the basis for revisions to the Modernization blueprint;</li> <li>• Ensure proper reporting of all systems to determine which systems are/are not within 10 percent variation of cost and schedule;</li> <li>• Demonstrate consistent progress in the remediation of IT security weaknesses through a variety of methods, working directly with the bureaus to ensure that they understand the requirements of Federal Information Security Management Act (FISMA) and security in general;</li> <li>• Identify e-government applications, using the Enterprise Architecture project as a management enabling tool;</li> <li>• Establish a link to Regulations.gov by March 2004;</li> <li>• Begin to use Portfolio Management to track cost, schedule, and performance of projects and create a Portfolio Management Office within the Office of the Chief Information Officer to propose, review, evaluate, and recommend actions to the TIRB which will manage and promote Treasury's E-Gov efforts.</li> <li>• Starting in the first quarter of FY 2004, conduct quarterly control reviews for major projects.</li> </ul>

<b><i>FY 2003 Accomplishments</i></b>	<b><i>FY 2004 and FY 2005 Proposed Actions</i></b>
<b><i>Budget and Performance Integration</i></b>	
<p>Treasury developed a new Treasury Strategic Plan for FY 2003 through 2008, which reflects the recent reorganization following the creation of the Department of Homeland Security. The Plan focuses on our core economic and financial mission and will seek to influence global financial and economic issues and promote global economic growth and stability.</p> <p>Treasury established a Strategic Management Process that links the Departmental, bureau and organization strategic and annual performance plans while gauging the level of success in accomplishing Treasury's goals and objectives.</p> <p>Treasury improved the alignment of bureau resources with Treasury's new strategic goals and objectives by conducting training sessions. The first use of this alignment appeared in Treasury's FY 2005 budget submission, which links bureau programs, resources, and performance to Treasury's strategic goals and objectives.</p> <p>Treasury issued guidance and implemented changes to enhance management's ability to use financial and performance information to make decisions.</p> <p>Treasury revised its performance reporting requirement from annually to quarterly to facilitate review and assessment of bureaus' key performance data.</p> <p>Treasury restructured some of its budget activities to better reflect the full cost of achieving results and established a performance budget that aligns its bureaus' programs and resources to its new strategic goals and objectives.</p>	<p>Treasury will continue to pursue opportunities to integrate financial and performance data.</p> <p>The Offices of Performance Budgeting and Deputy Chief Financial Officer will continue to integrate the financial management and performance measurement data. Treasury met with contractors to identify opportunities and assess the requirements needed to link Treasury's financial management system with its performance measurement system. The new system will collect timely and accurate information, perform meaningful data analysis, and disseminate the results.</p> <p>Treasury continues to work with the bureaus to develop a new budget structure for the FY 2006 budget cycle that shows full program costs by account and budget activity aligned to Treasury's new strategic goals and objectives.</p> <p>Treasury will provide bureau staff with training on how to develop new or improve on existing performance measures focused on outcome and efficiency program results for the FY 2006 budget cycle.</p>